



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

SUBJECT: SEE BELOW

FROM: Kerrie Romanow

DATE: May 16, 2022

Approved

Date

5/25/2022

SUBJECT: RESIDENTIAL GARBAGE AND RECYCLING RATES FOR SINGLE-FAMILY AND MULTI-FAMILY RESIDENTIAL SOLID WASTE SERVICES

RECOMMENDATION

- (a) Hold a Public Hearing on the proposed 2022-2023 Residential Garbage and Recycling rates and charges.
- (b) Adopt a resolution effective July 1, 2022 to:
 - (1) Increase residential solid waste service rates for single-family households up to eight percent; and
 - (2) Increase residential solid waste service rates for multi-family households up to four percent.

OUTCOME

Rate increases of up to eight percent for Single-Family Dwelling (SFD) households (\$3.66 per month or \$0.84 per week for the typical 32-gallon garbage service level subscribed to by 85 percent of residents) and four percent for Multi-Family Dwelling (MFD) households (approximately \$1.16 per unit per month or \$0.27 per unit per week) would maintain the Residential Garbage and Recycling Program near cost-recovery and meet contractual obligations.

BACKGROUND

Residential Garbage and Recycling rates, billed to property owners, are set to cover the expenses of providing residential solid waste services. Staff regularly reviews Integrated Waste Management (IWM) Fund revenues and expenditures and forecasts the rates necessary to implement and maintain City Council-approved services, programs, and activities related to residential solid waste.

As required under California law, notice of the proposed rate increase were mailed on April 15, 2022 to all property owners that are subject to these rates. The notice specified a maximum eight percent annual rate increase for SFD households and four percent for MFD households for 2022-2023. During the public protest period, the City received a total of 222 written and in-person protests as of May 16, 2022. This represents less than one percent of all property owners impacted by the change in rates, which is less than the 50 percent needed to reject the proposed rate increases under California law. Residential Garbage and Recycling rates were last increased in 2021-2022 by 17 percent for SFD households and seven percent for MFD households.

ANALYSIS

Residential Garbage and Recycling agreements provide the following services: garbage, recycling and yard trimming collection; recycling processing; yard trimmings processing and composting; junk pickup; SFD motor oil and oil filter collection; and processing of residential garbage to recover organics and recyclables. Residential Garbage and Recycling contractors collect half a million tons of material every year from over 320,000 households while providing waste processing services that give San José one of the highest recycling rates in the area (74 percent).

The popular Junk Pickup program has experienced more participation in lower-participating areas of the City, including usage by first-time customers, and has collected larger quantities of items per appointment. San José is the only local and large California city that offers both free and unlimited junk pickup collection.

The Residential Garbage and Recycling program maintains consistently high customer satisfaction. Results from recently conducted biannual survey rate the program as “good or excellent” (over 70 percent). The City’s Environmental Services Department also continues to provide an extensive Recycle Right campaign to reduce contamination in residential recycling by educating residents and changing behavior to place correct items in the recycling container and in the garbage. This year, the Environmental Services Department has worked with neighborhood groups to disseminate outreach within their communities.

Increasing Contractual Costs

The recommended rate increases generate additional revenue of \$10.1 million which will fund contractual cost increases due to an average increase of 4.5 percent in the Refuse Rate Index which covers cost of living adjustments and increased operational costs for waste haulers.

Contractual costs for the agreements are projected to be approximately \$178.0 million for 2022-2023, an increase of \$10.1 million from 2021-2022. Contractual costs comprise about 90 percent of total expenditures in the IWM Fund. All other expenses, including City staff and support costs, amount to approximately \$20.0 million, or about 10 percent of the IWM Fund. Residential Garbage and Recycling contractual appropriations proposed for 2022-2023 are shown in the table below.

Recycle Plus Contractual Appropriations (IWM Fund)

<i>Appn</i>	<i>Contractual Budget</i>	<i>2020-2021</i>	<i>2021-2022</i>	<i>2022-2023</i>	<i>Increased Amount</i>
		<i>Adopted</i>	<i>Adopted</i>	<i>Proposed</i>	
0763	Single-Family Recycle Plus	\$72,204,900	\$85,715,398	\$91,511,798	\$5,796,400
3318	Single-Family Dwelling Processing	\$19,063,221	\$19,446,392	\$20,496,497	\$1,050,105
0764	Multi-Family Recycle Plus	\$25,345,637	\$27,657,580	\$29,295,506	\$1,637,926
0766	Yard Trimming Collection/Processing	\$25,780,233	\$30,364,890	\$32,004,594	\$1,639,704
2059	IDC Disposal Agreement	\$4,421,574	\$4,712,956	\$4,736,232	\$23,276
	Residential Contracts Total	\$146,815,565	\$167,897,216	\$178,044,627	\$10,147,411

Rate Strategy and Recommended Increases

Under the proposed rate increases, San José's customer rates for Residential Garbage and Recycling are competitive in the local marketplace, even when comparing San José's proposed 2022-2023 rates to other jurisdictions' current rates (as 2022-2023 rate information is not yet available from other jurisdictions). San José's services are robust, including unlimited recycling, unlimited loose in the street yard trimmings collection (with optional cart subscription), unlimited on-demand junk pickups at no additional cost, used oil collection, and processing of all waste to recover organics and recyclables. This combination of services results in San José having one of the most effective residential recycling programs in the area.

The recommended Rate Resolution includes complete listings of proposed SFD and MFD rates. Information on other jurisdictions' current 2021-2022 rates is presented in the tables below, and while we assume these reference rates will also increase for 2022-2023, we do not have insight into associated proposed revised rates.

May 16, 2022

Subject: Residential Garbage and Recycling Rates for Single-Family and Multi-Family Residential Solid Waste Services

Page 4

SFD Garbage and Recycling Program
32-Gallon Rate Comparison

Regional Jurisdictions	2021-2022 Monthly Rate
San Francisco	\$56.50
Oakland	\$52.36
Palo Alto	\$50.07
San José (Proposed for 2022-2023)	\$49.43
Santa Clara	\$49.05
San José (Current)	\$45.77
Fremont	\$42.23
Sunnyvale	\$38.85
Hayward	\$36.63

MFD Garbage and Recycling Program
3-Cubic Yard Bin Rate Comparison

	<i>Monthly Rate</i>
Countywide Average	\$384.92
San José (Proposed for 2022-2023)	\$297.80
San José (Current)	\$286.35

CONCLUSION

Residential Garbage and Recycling rate increases of \$3.66 per month for the typical 32-gallon service level for 85 percent of SFD services and approximately \$1.16 per month per dwelling unit for MFD services would maintain the Residential Garbage and Recycling Program near cost-recovery, meet contractual obligations, and continue the current level of services for residents.

EVALUATION AND FOLLOW-UP

Prior to the June 7, 2022 City Council meeting, staff will provide a supplemental memorandum with an updated count of rate increase protests. If approved, the Residential Garbage and Recycling rates will be billed to ratepayers for services effective July 1, 2022 for SFD and MFD customers. Annually, staff will return to the City Council with recommendations for following year's rates.

CLIMATE SMART SAN JOSE

The recommendation in this memorandum aligns with one or more Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

As required under California law, notices for proposed maximum rate increase for 2022-2023 were mailed to property owners in April 2022. This memorandum will be posted on the City's website for the City Council meeting of June 7, 2022.

HONORABLE MAYOR AND CITY COUNCIL

May 16, 2022

Subject: Residential Garbage and Recycling Rates for Single-Family and Multi-Family Residential Solid Waste Services

Page 5

COORDINATION

This memorandum was coordinated with the City Manager's Budget Office and the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

There is no commission recommendation/input associated with this action.

FISCAL/POLICY ALIGNMENT

The additional revenue generated by the recommended rate increases aligns with City Council Policy that programs be self-supporting whenever possible.

COST SUMMARY/IMPLICATIONS

It is estimated the SFD and MFD increases will generate approximately \$10.1 million (\$8.5 million from SFD and \$1.6 million from MFD) in additional revenue in the IWM Fund in 2022-2023. The additional revenue, coupled with estimated savings from 2021-2022 in the Ending Fund Balance, will be used to offset the necessary expenditure increases and to rebuild the Operations and Maintenance Reserve that was used to help mitigate rate increases for 2021-2022. The reserve is budgeted at a funding level of \$16.5 million in 2022-2023, which is one month's estimated operating expenditures. This additional revenue has been assumed in the 2022-2023 Proposed Operating Budget (IWM Fund Statement of Source and Use of Funds).

CEQA

Statutorily Exempt, File No. PP17-005, CEQA Guidelines Section 15273, Rates, Tolls, Fares, and Charges, Adjustment to Fees, Rates and Fares without changes to or expansion of services.

/s/

KERRIE ROMANOW
Director, Environmental Services

For questions, please contact Valerie Osmond, Deputy Director, Environmental Services Department, at (408) 535-8557.